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# GAIN Report

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## **Sri Lanka**

## **GRAIN**

## **Annual**

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**Report Highlights:**

Sri Lanka's MY 2009/10 milled rice production is forecast at 2.7 million tons compared with 2.2 million tons in MY 2008/09. Wheat imports in CY 2008 were 930,000 tons compared with 850,000 tons in CY 2007 and are forecast at 900,000 tons in CY 2009. Sri Lanka imported 85,000 tons of U.S. wheat in CY 2008.

**Commodities:**

Rice, Milled

**Production:**

Rice production in MY 2009/10 is officially forecast at 2.7 million tons, which includes a *yala* crop (harvested in the fall of 2008) of around 1.2 million tons, and a *maha* crop, currently being harvested, of 1.5 million tons. This compares with 2.2 million tons in MY 2008/09. Although recent drought had some negative impact on yields, no significant revision in the 2009/10 forecast from the current level is expected. Most of the increase in production in MY 2009/10 is attributed to expanded rice planting in the north central and eastern regions, where the ethnic conflicts have ceased.

Sri Lanka's rice sector contributes 30 percent to the agricultural Gross Domestic Product (GDP) of the country. Rice is grown under both irrigated and non irrigated conditions. Water management is a challenge, particularly in the 'dry zone', as only 42 percent of total rice area has assured irrigation.

**Consumption:**

Rice is the most consumed staple in Sri Lanka and accounts for the largest share of household food expenditure. The annual per capita consumption of rice has increased from 100 kilos in 2000 to 108 kilos in 2008, due to increasing prices of wheat flour. The government's focus on increasing rice production is also expected to drive up consumption. Rice prices have stabilized in recent months after significant increases in the first half of 2008. Retail rice prices in 2008 ranged from Rs. 65 (65 cents) to Rs. 160 (\$1.60) per kilogram.

**Trade:**

Rice imports in CY 2009 are forecast at 30,000 tons, compared with 75,000 tons imported in CY 2008. The Government of Sri Lanka (GSL) typically applies a seasonal tariff on rice to protect domestic farmers. The current import tariff on rice is 20 percent. In 2008, the government imposed price controls on rice to check the price rise following domestic shortages. Sri Lanka imports rice mainly from India and Pakistan, and smaller volumes from Australia and Thailand.

**Marketing:**

The government has re-established the Paddy Marketing Board, which will be responsible for government paddy purchasing. Wholesalers in the Colombo market handle an estimated 60 percent of the island's total paddy production. Paddy marketing is yet to be streamlined and proper mechanisms implemented to permit market forces to determine prices. The government involvement in paddy marketing has prevented creation of a system that allows the market to operate independently. Market access and lack of a structured supply chain also contribute to price fluctuation and unstable price realization by farmers.

**Production, Supply and Demand Data Statistics:****Table 1: Commodity, Rice, Milled, PSD**

Sri Lanka	Rice, Milled		
	2007	2008	2009
	2007/2008	2008/2009	2009/2010
	Market Year Begin:	Market Year	Market Year Begin:

	Jan 2007			Begin: Jan 2008			Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	800	800	800	850	852	763			939
Beginning Stocks	60	60	60	45	45	60			45
Milled Production	2,200	2,200	2,200	2,300	2,194	2,227			2,663
Rough Production	3,235	3,235	3,235	3,382	3,226	3,275			3,916
Milling Rate (.9999)	6,800	6,800	6,800	6,800	6,800	6,800			6,800
MY Imports	75	75	75	70	70	75			30
TY Imports	75	75	75	70	70	75			30
TY Imp. from U.S.	15	0	0	0	0	0			0
Total Supply	2,335	2,335	2,335	2,415	2,309	2,362			2,738
MY Exports	4	0	0	0	0	0			0
TY Exports	4	0	0	0	0	0			0
Total Consumption	2,286	2,290	2,275	2,376	2,270	2,317			2,700
Ending Stocks	45	45	60	39	39	45			38
Total Distribution	2,335	2,335	2,335	2,415	2,309	2,362			2,738
Yield (Rough)	4.	4.	4.0438	4.	4.	4.2923			4.1704

#### Author Defined:

Import Trade Matrix			
Country	Sri Lanka		
Commodity	Rice, Milled		
Time Period	Jan-Dec	Units:	metric ton
Imports for:	2007		2008
U.S.		U.S.	
Others		Others	
India	52,590	India	40,627
Pakistan	22,630	Pakistan	20,000
Total for Others	75,220		60,627
Others not Listed	0		14,300
Grand Total	75,220		74,927

#### Commodities:

Wheat

#### Production:

There is no wheat cultivation in Sri Lanka. The country's entire wheat needs are met through imports.

#### Consumption:

High retail prices of wheat flour in 2008 adversely affected wheat consumption, mainly in rural areas. The government's program to increase rice consumption also negatively

impacted wheat consumption. However, consumption of wheat products in the main cities such as Colombo remained unaffected. Average monthly consumption of wheat flour and bread per household is currently placed at 3.1 kg and 7.4 kg, respectively.

Prima Ceylon Ltd., a Singaporean firm, is the largest flourmill in Sri Lanka, supplying most of the country's flour requirements. The company has a milling capacity of 3,600 tons per day. A second flour mill, Serendib Flour Mills, commenced operations in August 2008. Serendib manufactures all purpose flour as well as specialty flour.

Wheat flour is considered an "essential commodity" as it is the second most widely consumed staple after rice. As price increases in wheat flour contribute to overall inflation, the government imposes price controls on wheat flour. Despite price controls, there was a steep increase in the price of flour in 2008 due to high world prices. This adversely affected consumption. In recent months, domestic wheat flour prices declined significantly following a decline in global wheat prices. The wheat import duty was raised to 15 percent in the 2009 budget and a cess (levy) of 5 percent imposed on wheat flour imports. The preferential tariff applicable to wheat imports from Pakistan is 6 percent. The government revises tariffs depending on domestic and international market conditions.

#### Trade:

CY 2009 wheat imports are forecast at around 900,000 tons compared with CY 2008 imports of 932,000 tons. Canada was the major supplier of wheat in CY 2008. Commercial wheat imports from the U.S. in CY 2008 were 85,000 tons.

#### Production, Supply and Demand Data Statistics:

**Table 2: Commodity, Wheat, PSD**

SriLanka	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed	New Post		Annual Data Displayed	New Post		Annual Data Displayed	Jan	
			Data			Data			Data
Area Harvested	0	0	0	0	0	0			0
Beginning Stocks	100	100	100	100	105	105			105
Production	0	0	0	0	0	0			0
MY Imports	974	855	855	1,100	900	932			900
TY Imports	978	855	855	1,100	900	932			900
TY Imp. from U.S.	128	115	115	0	100	85			100
Total Supply	1,074	955	955	1,200	1,005	1,037			1,005
MY Exports	158	0	0	200	0	0			0
TY Exports	158	0	0	200	0	0			0
Feed Consumption	0	0	0	0	0	0			0
FSI Consumption	816	850	850	850	945	932			900
Total Consumption	816	850	850	850	945	932			900
Ending Stocks	100	105	105	150	60	105			105
Total Distribution	1,074	955	955	1,200	1,005	1,037			1,005

**Author Defined:**

## Import Trade Matrix

<b>Country</b>	Sri Lanka		
<b>Commodity</b>	Wheat		
Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2007		2008
U.S.	114,600	U.S.	85,311
Others		Others	
Canada	693,156	Canada	715,454
China	25,872	Australia	25,140
		UAE	52,898
Total for others	719,028		878,803
Others not listed	21,958		53,752
Grand total	855,586		932,555

## Wheat Imports by Month (metric ton)

	2007			2008		
	US	Non-US 1/	Total	US	Non-US 1/	Total
January	0	66,199	66,199	0	78,189	78,189
February	0	65,459	65,459	0	80,204	80,204
March	0	72,522	72,522	0	92,320	92,320
April	56,716	108,587	164,927	0	149,289	149,289
May	57,876	65,048	123,300	12,240	74,616	86,856
June	0	62,204	62,204	0	74,791	74,791

July	0	70	70	473	90,787	91,260
August	0	94	94	0	797	797
September	0	94	94	57,800	23,234	81,034
October	0	46	46	14,294	88,395	102,689
November	0	0	0	0	62,968	62,968
December	0	300,671	300,671	504	31,654	32,158
Total	114,592	740,994	855,586	85,311	847,244	932,555

**1/** Non-US includes India, Australia, Argentina, Canada, etc.